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May 11, 2010

PUBLIC UTILITIES
COMMISSION

HAND DELIVER

The Honorable Chairman and Members of
the Hawaii Public Utilities Commission
465 South King Street
Kekuanaoa Building, Room 103
Honolulu, Hawaii 96813
Attention: Michael Azama, Esq.

Re: Docket No. 2009-0048 – Molokai Public Utilities, Inc. ("MPU")
Notice of Settlement with the Division of Consumer Advocacy

Dear Commissioners and Commission Staff:

On May 6, 2010, MPU notified the Commission by letter that it had reached full settlement of the outstanding rate case issues with the Division of Consumer Advocacy ("Consumer Advocate"). Attached to that letter was a worksheet that shows the comparative net operating income and results of operation for MPU, including a total revenue requirement of \$982,336 resulting from the settlement proposal. Included on that worksheet were the various adjustments which MPU agreed with the Consumer Advocate. MPU also attached a two-page summary entitled "Principles of Settlement - Consumer Advocate Best and Final Offer" which outlined the key agreements supporting the adjustments, as well as additional terms and conditions which MPU agreed upon.

In footnote no. 2 of its May 6, 2010 submission, MPU indicated that it would concurrently be filing a supplemental response to WMA-SIR-114 to correct certain information that was inadvertently not included in the pro forma test year revenue for MPU. MPU further noted that upon the concurrence of the Consumer Advocate, it would submit a revised worksheet that reflects the changes from the supplemental response.

Attached for the Commission's consideration is a worksheet marked as Attachment 1 that now shows the revised comparative net operating income and results of operation for MPU with the addition of two revenue items shown on lines 4 and 5 entitled "Water treatment to WOM" and "Vacant lot fees". As noted in our May 6, 2010 submission, the new adjustments do not change the total revenue requirement of \$982,336, but results in a lower revenue increase. Additionally, attached as Attachment 2 are the proposed rates based on the settlement reached with the

Consumer Advocate. Under paragraph 13 of the Principles of Settlement, the first phase of the rates will be implemented upon the Commission's approval, with the second phase occurring six months later.

Thank you for your consideration of this matter. Copies of this submittal will be hand delivered to each of the parties at today's evidentiary hearing. Please feel free to contact us should you have any questions. Thank you.

Very truly yours,

A handwritten signature in black ink, appearing to read "Michael H. Lau".

Michael H. Lau
Yvonne Y. Izu

Morihara Lau & Fong LLP
Attorneys for Molokai Public Utilities, Inc.

cc: Consumer Advocate
Margery Bronster, Esq. (COM)
William W. Milks, Esq. (WMA)
James J. Bickerton, Esq. (MPL)
Peter Nicholas

Molokai Public Utilities, Inc
Company and Consumer Advocate Comparison
Test Year Ending June 30, 2010

Line #	[1] As Filed	[2] Adjustments	[3] Adjustments	[4] Revised Proposed Rates	[5] MPU Settlement Adjustment	[6] MPU Settlement	[7] Difference	[8] Consumer Advocate Settlement	[9] Consumer Advocate Settlement Adjustment	[10] Consumer Advocate At Proposed Rates
REVENUE										
1	Monthly Customer Charge	\$ 160,656	(\$540)	\$ (18,710)	\$ 141,406	(18,188)	\$ 123,218	\$ -	\$123,218	\$111,362
2	Water Usage Charge	1,164,241	277	(135,590)	1,028,928	(257,073)	771,855	-	771,855	692,108
3	Water Usage at Kualapuu Tap					60,185	60,185	-	60,185	53,967
4	Water Treatment To WOM		20,192		20,192		20,192	-	20,192	
5	Vacant Lot Fee		4,212		4,212	1,374	5,586	-	5,586	
6	Late Fees	1,200	100		1,300		1,300	-	1,300	1,300
7										
8	Total Operating Revenues	1,326,097	24,241	(154,300)	1,196,038	(213,702)	982,336	0	982,336	858,737
EXPENSES										
9	Labor, PR Tax & Empl Bene	209,865	(15,980)		193,885	(28,577)	165,308	-	165,308	165,308
10	Electricity Expense	282,524		(128,675)	153,849	37,861	191,710	-	191,710	133,439
11	Fuel Expense	231,067		(31,180)	199,887	(17,872)	182,015	-	182,015	170,241
12	Dept of Agriculture	144,456	(7,959)		136,497		136,497	-	136,497	144,456
13										
14	Materials & Supplies	85,583			85,583	(37,947)	47,636	-	47,636	14,010
15	Affiliated Charges	9,600			9,600		9,600	-	9,600	9,600
16	Prof & Outside Services	14,137			14,137		14,137	-	14,137	14,137
17	Repairs & Maintenance	65,812			65,812		65,812	-	65,812	65,812
18										
19	Insurance	13,000			13,000		13,000	-	13,000	13,000
20	Regulatory Expense	55,000	70,794		125,794	(50,794)	75,000	-	75,000	55,000
21	General & Administrative	13,318			13,318		13,318	-	13,318	13,318
22	Total O&M Expenses	1,124,362	46,855	(159,855)	1,011,362	(97,329)	914,033	0	914,033	798,321
23	Taxes, Other Than Income	84,671	1,548	(9,852)	76,367	(13,645)	62,722	(0)	62,722	54,830
24	Depreciation	92,479	(8,001)		84,478	(78,891)	5,587	-	5,587	5,587
25	Income Taxes	4,607	(4,607)		0		-	-	0	
26	Diff. due to changing factors					(6)	(6)		(6)	
27	Total Operating Expenses	1,306,119	35,795	(169,707)	1,172,207	(189,871)	982,336	(0)	982,336	858,738
28	Operating Income	\$19,978	(\$11,554)	\$15,407	\$23,831	(\$23,831)	(\$0)	\$0	(\$0)	(\$1)
AVERAGE RATE BASE										
29	Plant in Service	\$ 6,583,033			\$ 6,583,033	\$ (40,000)	\$ 6,543,033	\$ -	6,543,033	\$ 6,543,033
30	Accumulated Depreciation	(5,469,451)	4,001		(5,465,450)		(5,465,450)	-	(5,465,450)	(6,479,591)
31	Net Plant	1,113,582	4,001	-	1,117,583	(40,000)	1,077,583	-	1,077,583	63,442
32										
33	Customer Deposits	(10,691)			(10,691)		(10,691)	-	(10,691)	(10,691)
34	ADIT	0			0		-	-	0	-
35	HCGETC	(199,317)	199,317		0		-	-	0	(199,331)
36	Working Capital	92,587	(9,417)		83,170	(8,111)	75,059	0	75,060	65,417
37	Average Rate Base	\$ 996,161	\$ 193,901	\$ -	\$ 1,190,062	\$ (48,111)	\$ 1,141,951	\$ 0	\$ 1,141,952	\$ (81,363)
38	Return on Rate Base	2.01%			2.00%					

Molokai Public Utilities, Inc.
Revenues
Test Year Ending June 30, 2010

		[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]		[9]	[10]	[11]				
Line #	Description	Meter Size	# of Cust Bills Or Water Usage	Base Rates Effective 8-1-03			Temporary Rates Effective 9-1-08			Phase-In Rates			Proposed Rates				
				Monthly Rate	Annual Revenue [2]*[3]	Total Revenue	Monthly Rate	Annual Revenue [2]*[6]	Total Revenue	Monthly Rate	Annual Revenue [2]*[6]	Total Revenue	Monthly Rate	Annual Revenue [2]*[9]	Total Revenue		
1	Charges to WOM for Water Treatment		18,656	\$ 1.00		18,656	\$ 2.78		\$ 51,864	\$ 1.0823		\$ 20,191	\$ 1.08230		\$ 20,191		
2	Rate Increase Percent									113.10%			132.613%				
3	Vacant Lot Charges		117	\$ 3.00		4,212	\$ 3.00		\$ 4,212	\$ 3.3931		\$ 4,764	\$ 3.97840		5,585		
Monthly Customer Charge																	
4	# of Customers (250)	5/8" Meter	2,350	\$11.25		\$ 26,438		\$11.25		\$ 26,438		\$24.00		\$ 56,400		\$ 26.00	\$61,100
5	# of Customers (251)	1 0" Meter	12	\$15.00		180		\$15.00		180		\$32.00		384		\$ 35.00	420
6	# of Customers (253)	1 5" Meter	12	\$22.50		270		\$22.50		270		\$48.00		576		\$ 52.00	624
7	# of Customers (254)	2 0" Meter	36	\$37.50		1,350		\$37.50		1,350		\$80.00		2,880		\$ 87.00	3,132
8	# of Customers (255)	3" Meter	26	\$75.00		1,950		\$75.00		1,950		\$160.00		4,160		\$ 174.00	4,524
9	# of Customers (257)	6" Meter	60	\$225.00		13,500		\$225.00		13,500		\$479.00		28,740		\$ 523.00	31,380
10	# of Customers (258)	8" Meter	24	\$375.00		9,000		\$375.00		9,000		\$799.00		19,176		\$ 872.00	20,928
11	Sub-Total		2,520			\$52,688			\$52,688			\$112,316					\$122,108
Water Usage Charge																	
12	Water Use for Test Year (000 gallons)		103,900	\$ 3.18		330,402		\$ 6.04		627,556		\$6,7387		700,151		\$7,4387	772,881
13	Water Delivered to Waipola at Kualapuu Tap		22,900	\$ 1.1250		25,763		\$ 1.1250		25,763		\$2,3840		54,594		\$2,6316	60,264
14	Total Water Sales		126,800														
15	Usage Revenue					356,165			653,319			754,745					833,145
16	Total Revenue					\$431,721			\$762,083			\$892,016				\$ 981,030	
17	Revenue Increase To Temporary Rates							\$330,362			\$129,934						1,300
18	Revenue Increase over Temporary Rates											893,316	\$ 218,947			\$ 982,330	
19	Total Revenue Increase from Present Rates											901,749		\$549,309			